REMARKS

Summary of Office Action

Claims 1-24 were pending in the above-identified patent application.

The Examiner rejected claims 1-12, 15-17, 19-20 and 22-24 under 35 U.S.C. § 112, second paragraph as being indefinite for allegedly failing to particularly point out and distinctly claim the subject matter that applicant regards as the invention. Claims 1-17 and 21-24 were rejected under 35 U.S.C. § 102(e) as allegedly being anticipated by Shimko et al. U.S. Patent 7,139,730. Claims 18-20 were rejected under 35 U.S.C. § 103(a) as allegedly being obvious from Shimko in view of Jones U.S. Patent Publication 2005/0060254.

The Examiner further made a request, in the form of six (6) interrogatories, for information under 37 C.F.R. § 1.105.

Summary of Applicant's Reply

Applicant has cancelled claims 1 and 13-24 without prejudice, has amended claims 2-12, and has added new claims 25-32, in order to more particularly define the invention. The Examiner's rejections are respectfully traversed.

Order of Claims and Compliance With 37 C.F.R. § 1.75(c)

As part of the amendments summarized above, applicant has cancelled original independent claim 1 and replaced it with new independent claim 27. The dependency of each of dependent claims 2, 6, 7 and 11 has been changed accordingly from claim 1 to claim 27. Similarly, a new claim 28, depending from claim 27, also has been added and each of claims 3-5 has been made dependent from claim 28. As a result, each of claims 2-7 and 11 refers to a subsequent

claim, rather than "referring back to" another claim as required by the literal language of 37 C.F.R. § 1.75(c).

However, applicant respectfully submits that while the "referring back" requirement of 37 C.F.R. § 1.75(c) should be adhered to in an original application, the rule should not be interpreted as requiring the cancellation and re-presentation of all dependent claims whenever an independent claim is replaced instead of amended. Such a requirement would greatly increase the volume of amendments, would introduce the risk of transcription errors, and would increase the burden on the Examiner by making it more difficult to identify the differences between the amended and original claims.

Indeed, 37 C.F.R. § 1.126 recognizes that the prosecution process can result in out-of-order claim numbering by providing that the Examiner will renumber the claims on allowance "in the order in which they appear or in such order as may have been requested by applicant." The following table is provided by applicant to assist the Examiner in that renumbering, assuming all claims presented herein are allowed without any further amendment that affects numbering:

Current Claim Number	Current Dependency	To-be-issued Claim Number	To-be-issued Dependency
2	27	2	1
3	28	4	3
4	28	5	3
5	28	6	3
6	27	7	1
7	27	8	1
8	7	9	8
9	7	10	8
10	9	11	10
11	27	13	1
12	11	14	13
25	12	15	14
26	10	12	11

Current Claim Number	Current Dependency	To-be-issued Claim Number	To-be-issued Dependency
27	--	1	--
28	27	3	1
29	--	16	--
30	29	17	16
31	29	18	16
32	31	19	18

In addition, the new independent claim to replace claim 1 was assigned number 27, rather than number 25 (the first new claim number), because the highest-numbered remaining claim after cancellation of claims 13-24 is claim 12, and applicant added a new claim dependent from claim 12. In accordance with the practice recommended in MPEP § 608.01(m), that dependent claim was made claim 25, placing it immediately after claim 12 from which it depends. Similarly, new claim 26 was placed after claim 25 because it depends from claim 10, making it as close as possible to claim 10. Claim 27 was then added, followed by a new claim 28 dependent from claim 27, and new independent claim 29 and its dependent claims.

Applicant's Reply to the
Rejection Under 35 U.S.C. § 112

Claims 1-12, 15-17, 19-20 and 22-24 were rejected under 35 U.S.C. § 112, second paragraph, as being indefinite for allegedly failing to particularly point out and distinctly claim the subject matter that applicant regards as the invention. Specifically, the Examiner alleged that it was not clear in claim 1 how the composition of the investment portfolio is determined. This rejection is respectfully traversed.

Claim 1 has been cancelled and replaced with claim 27. Applicant respectfully submits that claim 27 is definite. Specifically, the claim defines a number of values

and specifies that the composition of the portfolio is determined such that those values have a specified relationship.

Accordingly, applicant respectfully requests that the rejection under 35 U.S.C. § 112 be withdrawn.

Applicant's Reply to
The Prior Art Rejections

Claims 1-17 and 21-24 were rejected under 35 U.S.C. § 102(e) as allegedly being anticipated by Shimko. Claims 18-20 were rejected under 35 U.S.C. § 103(a) as allegedly being obvious from Shimko in view of Jones. These rejections are respectfully traversed.

As stated above, independent claim 1 has been replaced by new independent claim 27. In addition, independent "Beauregard"-style claim 24 has been replaced by new independent claim 29. Applicant respectfully submits that neither Shimko nor Jones, whether taken individually or in combination, shows or suggests the claimed invention.

The method defined in new claim 27 includes determining a portfolio composition as between a reserve sub-portfolio (containing, for example and without limitation, fixed-income instruments, cash or cash equivalent, and/or other less-volatile investments) and a volatile portfolio (containing, for example and without limitation, investment contracts and/or other volatile investments) subject to a feasible loss in notional value. This is done by dividing the portfolio such that the future value of assets in the reserve sub-portfolio on the next marked-to-market date, plus the current market value of the volatile sub-portfolio, less that feasible loss in notional value of the volatile sub-portfolio, is at least equal to the highest marked-to-market value to date for the investment portfolio as a whole.

By rebalancing sufficiently frequently -- for example and without limitation, as often as the occurrence of a marked-to-market date, e.g., in some cases, daily -- the

claimed method provides a portfolio in which the original investment is protected, but the upside potential of the volatile component is available.

The method of Shimko has nothing to do with a method such as that claimed by applicant. Shimko shows a system or method in which, where counterparties have various obligations to one another, enough collateral has been provided by each party to protect each respective counterparty. Although Shimko uses the term "marked-to-market" and also uses the term "sub-portfolio," Shimko does not show or suggest the method defined by claim 27 or as further defined by the dependent claims (or the subject matter of the corresponding Beauregard claims 29-32).

Specifically, Shimko does not show that any party has a portfolio made up of a reserve portfolio (as described above) and a volatile portfolio (as described above). Although Shimko describes each party's various obligations as "sub-portfolio," there is no discussion in Shimko of the relative risks of the sub-portfolios.

Shimko does not show determining a highest marked-to-market value of an investment portfolio. At most, Shimko appears to show the periodic determination of a current marked-to-market value of each party's position, which is then used to determine collateral requirements, without regard to any previous marked-to-market value that may have been higher.

Finally, Shimko takes the positions as they are and assigns collateral requirements. Shimko is not concerned with telling the parties how to rebalance their investments. Thus Shimko does not show or suggest determining portfolio compositions, let alone determining the composition based on the relationships defined by applicant.

Jones, cited by the Examiner only for allegedly showing the elements of former claims 18-20, does not make up the deficiencies of Shimko in failing to show or suggest the claimed invention. Indeed, Jones teaches away from the

claimed invention in that it teaches that once a portfolio is assembled, it is allowed to perform without adjustment. This is completely contrary to the claimed invention which is adjusted at one or more dates between inception and maturity.

Applicant's Reply to the Request for Information Under 37 C.F.R. § 1.105

The Examiner has made a request, in the form of six (6) interrogatories, for information under 37 C.F.R. § 1.105.

Applicant's Replies to Interrogatories

Interrogatory A

A. Is the formula utilized in **claim 10** old and well known in the art?

ANSWER: No. Applicant derived the formula of claim 10 himself.

Interrogatory B

B. How did applicant derive the formula?

ANSWER: Applicant conceived of the relationships described above between the components of the portfolio and the feasible loss. The formula states those relationships in mathematical form.

Interrogatory C

C. What sources did applicant use in aggregating the mathematical operations to create the formula?

ANSWER: See answer to Interrogatory B, above.

Interrogatory D

D. Would applicant consider his formula an estimate?

ANSWER: No. However, the formula is an inequality, not an equation. Accordingly, as long as the term to the left is made small enough to satisfy the inequality, no precise value is required. For example, the investment

represented by that term may be available only in specified denominations. One can choose any combination of denominations that satisfies the formula. Most likely, one would want to choose the largest such combination to maximize return, but that is not necessary.

Interrogatory E

E. How does the formula specifically allow repetition of determining the composition of an investment portfolio and its' respective sub-portfolios?

ANSWER: The formula neither prohibits nor allows repetition. The formula is used on each repetition, which may occur as often as is desired and preferably at least as often as the occurrence of marked-to-market dates.

Interrogatory F

F. Are there any publications applicant is aware of concerning this formula?

ANSWER: No.

Conclusion

For the reasons set forth above, applicant respectfully submits that this application, as amended, is in condition for allowance. Reconsideration and prompt allowance of this application are respectfully requested.

Respectfully submitted,

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